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S. E. D. 1462

ate 19-2-31

Plan To Limit Chinese Ship Co's Expense

Drastic Reforms Now
Proposed For C.M.S.N.
Branch Offices

EXPENDITURE CUTS

Annual Deficits Caused By
Heavy Outlay And
Mismanagement

A thorough reorganization of the various branch offices of the China Merchants Steam Navigation Company in order to increase administrative efficiency as well as to prevent leakage, is now being planned by Mr. Li Chung-kung, Special Commissioner for the Reorganization of the company.

The company has upwards of thirty branches all over the country. The aggregate earnings run to the heavy expenditure as well as mismanagement in these branch offices, the company has had to sustain large annual deficits for the past few years. Such a state of affairs necessitates drastic reform.

According to the plans now under consideration, the annual expenditure of the branch offices, which amounted to as much as 60 per cent. of the total earnings in the past, will hereafter be reduced and limited to 15 per cent. for all branch offices, with the exception of Shanghai and Hankow. In the latter cases, the annual expenditure must not exceed 8 per cent. of the net earnings.

Where branch offices are entrusted with the administration of real estate, the annual expenditure for upkeep and repairs must not exceed 5 per cent. of the net revenue. The various branch offices will also be divided into several grades according to their degree of importance.

As an incentive to staff members, special bonuses will be given to those who render meritorious service. Ten per cent. of the annual allowances for each office will be set apart to constitute a bonus fund.

The present practice of directors of branch offices appointing all their subordinate staff members often results in the complete change of staffs following any change of directors. This tends greatly to impair the general efficiency, and hereafter all heads of departments in the branch offices will be directly appointed by the General Administration Office at Shanghai. Staff members other than departmental heads are to be appointed at the recommendation of the branch office directors.—Kuo Min.

Reg. Please attach file.

SHANGHAI MUNICIPAL POLICE
C. & S. B. REG. STR.
No. S. B. D. 1462
date 25-7-30

THE NORTH-CHINA DAILY NEWS, THURSDAY, JULY 24, 1930

CHINA MERCHANTS' S. N. CO.

To the Editor of the

"NORTH-CHINA DAILY NEWS."

SIR,—Your correspondent "Kew" has said much in your columns about the deplorable state of this Company in the matter of arrears of wages and lack of proper maintenance of the Company's ships. Granting that he has based his writings upon facts, as he said that "he has within the past few days availed himself of visits to certain of the Company's vessels with the sole object of getting at the truth," I must say that some of his statements cannot go unchallenged.

In regard to the arrears of wage payment, I must make it clear that both the foreign and Chinese ranks, the floating staff as well as those working in the office, have been accorded the same treatment. Your correspondent seems to say in his writings that only the foreign ranks have been maltreated in the matter of wage payment, as he fails to mention that the wages of the crew, which range from \$30 to \$50, have been in arrears as many months as those foreign ranks whose wages are ten or twenty times bigger. It is true that the staff, floating as well as those working in the office have just received their May wages. But this deplorable state is quite out of the control of the Company's management. For several months, most of the ships under the Company's flag have been commandeered for the military service, and the charter money has run over half million dollars unpaid. What can a shipping firm do when all its ships have been deprived of the regular service and when the chartered money is not forthcoming? In face of the financial trouble, the management has been at its wit's end to raise money for meeting the necessary payments, and the managing director and the departmental chiefs have even gone

to the extent of cutting down their salaries spontaneously. Therefore under this trying condition, every one has gone through much suffering and privation. Your correspondent seems to question the integrity of the Company's employees by stating that "the freight on one of the company river vessels for the down trip and which vessel was then in port, was in excess of Tls. 10,000. Where then in the money going and who is 'scooping the pool'?" In finding the truth, your correspondent has not gone through a little trouble by making some inquiries as to the method of collecting freight charges as practiced by this Company. To tell the truth, the freights of this Company have been habitually collected three times a year—the Dragon Festival, the Mid-Autumn Festival, and the end of the year. Therefore, this money as alleged by your correspondent cannot be had until the Mid-Autumn Festival. I presume that this will be enough to disclose the whereabouts of this Tls 10,000.

As to the supply of stores to the ships, the management has in the past found that some members of the crew have habitually requisitioned some articles which are not necessary, and that they have simply tried to get some extra money by selling them out at a cheaper price. Thus the management has instructed the store-keeper to keep a watchful eye on the requisition list submitted by different ships, and to issue only those articles which are deemed necessary.

Concluding, I must say that I hold no important position in the Company's Shanghai Office as alleged by your correspondent, and that my writings can in no way be considered as the official utterance of the Company.

PAUL K. WHANG.

Shanghai, July 22, 1930.

HB

R.B. (Grand Sp. Br.'s)
Information.

24:7:30

SHANGHAI MUNICIPAL POLICE.

REPORT

Special Branch S-13-510 Station,

No. S. B. D. 1462.

Date at July 19, 1930

27 - 7 - 30.

Subject (in full) The China Merchants' Steam Navigation Wharves
and Shanghai Banks.

Made by and Forwarded by C.D.I. J.W.Prince.

Sir,

I have received information to the effect that, owing to the unsatisfactory state of the affairs of the China Merchants' Steam Navigation Wharves Company, the leading foreign bankers in Shanghai, who have been financing the majority of the business done in connection with the above company's wharves, have decided to rescind the banking facilities heretofore extended, and have sent letters to the company to the effect that they will take no further risks in respect of cargo transactions through the company's wharves neither will they extend any further credit in respect of the same.

It is also stated that the Banks have notified their clients, who have cargo stored on the above company's wharves, that they will take no further risks, nor extend any further credit in respect of such cargo unless it is removed from the custody of the above company. This is resulting in the cargo in question being removed to godowns belonging to other companies, and the usual shipping being turned away from the above company's wharves to other wharves where they can get the necessary cargo storage facilities.

It is stated that the reason for this action on the part of the Banks is that they are dissatisfied with the general management of the company's affairs, which are stated to be in a state of chaos, and they demand that the general management of the company's wharves be put in the hands of a foreigner, as heretofore, and that the company be reorganised and put on a sound business basis. Now the company has referred this matter to the Hanking Government and the business of the wharves is at a standstill.

D. C.

Cr' & Sp' Branches.

C. D. I.

Information and favour of return

20:7:30

21:7:30

THE NORTH-CHINA DAILY NEWS, MONDAY, JULY 21, 1930

CHINA MERCHANTS STEAM NAVIGATION COMPANY

To the Editor of the

"NORTH-CHINA DAILY NEWS."

Sir,—In view of the continued attitude of this Company in the matter of arrears of salary due to the Foreign ranks in its service it is surely high time that the Governments of the respective luckless nationals renewed their representations to the Nationalist Government and in no uncertain terms request that this scandal be terminated forthwith. This, as apart from the question of unpaid pensions and allowances due to retired ranks, payment of which has been in default since the end of 1926.

A brief resume of what has transpired in this connection since the Nationalist Government forcibly took over control of the Company in February, 1928, may be of interest. About the middle of that month Mr. T. C. Chao assumed office as managing director appointed by the Nationalist Government. In an interview with a representative of the "North China Daily News" on 18th April, 1928, Mr. Chao is quoted as stating:—

"After he (Mr. Chao) had taken over control of the affairs of the Company it was immediately decided that these salaries (arrears) must be paid and he (Mr. Chao) asserted yesterday that at the present time the majority of arrears had been paid up."

That was over two years ago and during the intervening period Mr. Chao has had fairly ample time to put the affairs of the Company on a little more stable basis. That his words were not to be taken lightly is evidenced by the following, which occurs in the speech made by Mr. Chao to the party composing the German Industrial Mission on board the Company's s.s. "Kiang An" on 1st May, 1930 and duly chronicled in your issue of 3rd May:—

"During my two years service I have left no stone unturned to introduce various reform measures into the management of our Company. Though we have achieved much progress in our endeavour, yet we are not at all satisfied with our success."

That is the picture that Mr. Chao has drawn for public consumption to fit in a period of the last two years, but what the actual conditions are to-day is a totally different story. The writer has within the past few days availed himself of visits to certain of the Company's vessels with the sole object of getting at the truth and what is the position? In brief, practically all of the Foreign ranks have not at date been paid their salaries for May last (some are three and four months in arrears of payment.) In the case of two of the Company's steamers the Master and Officers were kept cooling their heels in the Company's offices from 9.00 a.m. to noon and from 2.00 p.m. to 4.00 p.m. on the two consecutive days which constituted their whole stay in port in an effort to get one-half of their month's wages for May, only to be eventually told, "next trip can pay." This, take note, after various officials in the Company's offices had given these ranks their "faithful promise" that they would definitely be paid one-half of their wages for May before they sailed. And, almost without exception, these ranks are all married men with families. Yet, despite this absence of wages, the writer was assured that the freight on one of the Company's river vessels for the down trip and which vessel was then in port, was in excess of Taels 10,000,000. Where then is the money going and who is "scooping the pool" the while that men who have earned it and who are entitled to it have perforce to go without what is lawfully due to them? And this is a sample of Government control of private interests which Foreigners in China will do well to take heed of. In other countries where law and order obtain and where justice in the fullest sense and implication of the word is available for all, a seaman's wages are the first charge on a ship; in vessels under the Chinese flag the reverse is the case. Incidentally, whatever the shortcomings of the China Merchants Company in its earlier days and before the Nationalist Government "efficiency experts" got their clutch on the Company, agreements made were faithfully honoured and wages were always available when due. Yet, in spite of these facts, we have a gentleman named Paul K. Whang, who, in the issue of the "China Weekly Review" of 7th June, 1930,

unburdens himself of the following brilliant literary fragment in a contribution over his name regarding the Company's Foreign employees:—

"As a matter of fact, most of the Co.'s foreign employees are far from being aged people. Furthermore, many of the captains of the Company's ships are well-known seamen along the China coast and their services has been frequently solicited by other shipping firms. But their long connection with the Company has produced such an attachment in their heart that they are reluctant to go anywhere else, in spite of the fact that they are actually offered higher wages. Therefore there has been always a happy relationship between the Company and its foreign employees."

Although Mr. Whang is careful to say, in an earlier part of his contribution, that "he does not presume to act as a spokes-man for the Company," enquiries have since elicited that he holds a not unimportant post in the Company's Shanghai office.

Reverting, for a moment to the ships themselves. It is indeed deplorable to see the state that many of them are in, due solely to the lack of stores, painting and necessary repairs—deficiencies which even the ranks as conservative seamen, unpaid as they are, keenly resent. The writer perused store lists which had been submitted to the Company's office at monthly periods for over a year; out of 22 most necessary items requisitioned on one list, two were sent on board and even such necessities as Canton brooms and toilet paper were scored out on the grounds that they were not wanted. This list was typical of the remainder sighted by the writer. As for obtaining 28 pounds of white zinc it would appear that its qualities are negligible or its existence unknown as far as the Company's store department is concerned, if the number of times that this small amount to somehow spread over a whole ship was struck out in successive indents, may be accepted as a guide.

"Kew."

*H.B. Co. and Sp. Br.'s,
Information*

21-7-30

**CHINA MERCHANTS
WHARVES**

A serious condition is likely to arise as a result of the curtailment of foreign supervision over the China Merchants S. N. Co.'s wharves and godowns. This is dealt with in an article on page 3.

**C. M. COMPANY TO BE
RE-ORGANIZED**

Nanking, July 21.

Permission has been granted by the Ministry of Communications to the China Merchants Steam Navigation Company to carry out its programme of retrenchment. Unnecessary employees are to be dismissed and a general reduction of the salary schedule is to be effected.—Kuo Min.

for 1st
22-

*D.C. (C. and Sp. Branches),
Information*

W.H.
22:7:30

W.H.
22:7:30

CHINA MERCHANTS' WHARVES

Grave Concern Displayed by
Banks and Insurance
Companies

CURTAILING OF FOREIGN SUPERVISION

In view of the recent announcement that the services of the foreign assistant manager had been dispensed with, the position of the wharves and godowns owned by the China Merchants Steam Navigation Co. is likely to bulk largely in the public eye in the near future. The situation of the most important of the company's wharves and godowns renders them attractive to shipping making use of the harbour, and so long as foreign supervision has been maintained they have been able to do a lucrative business. With the diminution of this to the point it has now reached, a different state of affairs prevails. Very large and important interests are concerned in the case, and the position may be generally summarized as follows.

In the case of wharves and godowns under foreign management, insurance companies accept a guarantee from the proprietors that only particular classes of cargo shall be stored in the same godown, and the godown company is at pains to see that highly inflammable or otherwise dangerous cargo is not stored along with cargo the nature of which makes the risk small. The acceptance of this guarantee naturally pre-supposes a maximum of skilled supervision, and it is felt that with foreign control removed from such as a concern as the China Merchants, the insurance companies cannot accept the risks on cargo in their godowns as has been done before.

Attitude of Courts

Neither, apparently are the banks prepared to do so, and their attitude goes even further than that of the insurance companies. In the first place it is felt that the lien they have on cargo stored in such godowns can no longer be described as being so secure as heretofore, but there is also the attitude of the Chinese law courts to be taken into account. Recently cases have occurred where Chinese courts have attached foreign-owned cargo lying in Chinese godowns and on which the banks probably had a lien. This practice has not induced confidence in the future of goods lying in the China Merchants' godowns, especially in view of the withdrawal of foreign supervision.

It is understood that representations are being to the China Merchants S. N. Co. in regard to that matter. It may, of course, prove a very serious business for the latter company, as with credit and insurance facilities withdrawn—as they may be—shipping companies may feel compelled to berth their steamers at other wharves.

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